

DOCUMENT RESUME

ED 157 523

IR 006 081

AUTHOR Johnson, Shirley B.
TITLE The Impact of the Economy on Libraries and the Impact of Libraries on the Economy of New York State.
PUB DATE Apr 78
NOTE 20p.; Position Paper prepared for the New York Governor's Conference on Libraries; Page 8 may be marginally legible
EDRS PRICE MF-\$0.83 HC-\$1.67 Plus Postage.
DESCRIPTORS Economic Climate; Economic Factors; Financial Support; *Inflation (Economics); *Library Expenditures; Library Services; *Public Libraries
IDENTIFIERS New York (New York)

ABSTRACT

New York's library system, which helps to attract desirable information related industries, is endangered by inflation and budget stringency. Library costs have increased more rapidly than the general price level. Technological improvements, cost-saving in the long run, require initial capital outlays. The growth of book collections must keep pace with the information explosion. Public libraries receive a declining share of local expenditures making urban libraries particularly vulnerable, and reductions in Federal support have been felt in New York more than in most states. Service may be reduced or it may be supported through private philanthropy or user fees. Elite reference collections should charge fees to users such as the information industry, thus converting some library costs from "external economies" to costs born by firms which can readily afford them. If there is no alternative financing, user fees may be necessary. The cost of maintaining excellence in libraries is much less than the cost of not doing so. (Author/JAB)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

ED157523



News

New York State Governor's Conference on Libraries
State Capitol, Room 250, Albany. New York (518) 474-8826

THE IMPACT OF THE ECONOMY ON LIBRARIES AND THE IMPACT OF LIBRARIES ON THE ECONOMY OF NEW YORK STATE

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY.

Position Paper

Prepared by

Shirley B. Johnson
Associate Professor of Economics
Vassar College
Senior Research Associate
The Center for Policy Research

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

Esther M. Swanker

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC) AND
USERS OF THE ERIC SYSTEM."

April 1978

IR006081

The Impact of the Economy on Libraries and the Impact
of Libraries on the Economy of New York State *

Shirley B. Johnson
Associate Professor of Economics,
Vassar College
Senior Research Associate
The Center for Policy Research

A short paper on my assigned topic must necessarily be an overview, and a speculative one at that, for while the impact of current economic conditions on the library system of New York State is clearly visible, the impact of libraries on the economy is not. Since most of you are well informed about library statistics I shall proceed directly to an analysis of the interaction between economic conditions and library services, discussing the relevant statistics only to illustrate the argument.

I. The impact of the economy on libraries.

Many libraries in New York State have already had to curtail hours of service, while some local and branch libraries have had to close down altogether. Two economic conditions have combined to make the superior library system of New York State an endangered species: inflation, and budget stringency on all levels of government. Libraries require financial support from governments, but they are not an "emergency" service. Moreover, lobbyists

* I am particularly grateful for information provided by John Mackenzie Cory, Director, The New York Public Library; Madeline Miele of the R.R. Bowker Company; Professor Kathleen Molz of Columbia University; Joan Murphy, Reference Librarian, Vassar College; Mary R. Power and Joseph F. Shubert, New York State librarian.

for libraries do not represent the more violent, brick throwing constituents of the community.

The cost of library services is rising more rapidly than the general price level, as is true of most labor intensive firms providing services. Not only higher labor costs, but also increases in book prices contribute to rising library budgets. Furthermore, the "information explosion" requires constant and rapid additions to library collections if the same level of standards is to be maintained. Sophisticated security systems, a relatively new feature in most libraries, are also an addition to costs.

Table 1.
Rates of Increase in Consumer Price Index and
in Average Prices of Books and Periodicals ^{1/}

	<u>1973-4</u>	<u>1974-5</u>
U.S. Hardcover Trade-Technical Books	12.0%	14.9%
U.S. Periodicals	12.6%	11.4%
Consumer Price Index	11.0%	9.1%

To some extent, improvements in technology, particularly electronic methods of preparing, storing, and distributing information, can offset rising costs. But most such changes under consideration, while cost saving in the long-run, involve

^{1/} Computed from figures in Tables 1 and 3, pp. 333 and 335, The Bowker Annual of Library and Book Trade Information, 22nd edition, (R.R. Bowker Company, New York and London, 1977).

additional capital outlays at the time they are instituted. For instance, the development of networks for retrieval of information and processing of interlibrary loan requests necessitates computerization. NYSILL, the major statewide program in New York, has been in operation since 1967, but the goal of a national periodicals system will require an expansion of facilities.

Austerity budgets at all levels of government affect libraries adversely, and would do so even if library costs were increasing less rapidly. For public libraries in the United States have been receiving a declining share of expenditures on local services. Other services which are useful for comparison are schools, health and hospitals, police, parks and recreation facilities. Local schools also did not maintain their share of the expenditure, but they fared less badly than did libraries between 1967 and 1972. Growth in expenditures for all of these services was 12.5%, while growth in school expenditures was 11.1%, and growth in public library expenditures was 9.5%.¹ After 1972, schools fared even worse than public libraries, and there is an important connection between support of schools and libraries, since the decline in expenditure on schools also includes a share for school libraries.

Public libraries have generally depended more on local revenue sources than have many other local services. This makes urban libraries particularly vulnerable as major cities run into

budget difficulties, especially since local revenues are still heavily tied to the property tax.

Some insights into the economic difficulties of libraries can be gained by looking at the proportions of library spending contributed by federal, state, and local governments over time. A national pattern is apparent. Particularly since 1970, there has been a reduction in the proportion of library expenditures supported by federal funds. It has dropped from about seven percent in 1971-2 to five percent in 1975, primarily because of a reduction of Federal support under LSCA (the Library Services and Construction Act of 1964).²

The actual dollar value of federal support for library services fell from \$170 million in 1970 to \$165 million in 1972, with the 1970 level not being regained until 1973-4.³ The picture is even bleaker when we notice that these figures are in current dollars and do not take account of inflation.

II. The Case of New York State

On the whole, the gap in library budgets created by the fall in federal support has been filled by support from state governments. This shift of the burden of support is, however, not an easy solution. Specifically it is a difficult problem in New York State which is suffering from "fiscal high blood pressure" as are many other states at present. The Advisory Commission on Intergovernmental Relations has developed a measure of fiscal

stress based on the ratio of tax collections to tax payers' incomes. New York State has both the highest pressure (stress) index number of any state and the most rapidly rising pressure, based on a projection of the rate of change, 1964-1974. New York State is also one of the states with "high and rising" fiscal pressure which has lower than average state taxes.⁴ Yet New York State has the highest level of state aid per capita for public libraries of any state in the U.S. (\$1.65 in 1975),⁵ and the share of the public library budget supported by the state's contribution is well above the U.S. average. See Table 3 below.

These facts do not auger well for increased state support for New York State's library system, the system with the highest level of total expenditure of any state in the union.

What about the possibility of more federal support for this state's libraries? Although the trend is away from federal financing, New York receives a relatively small proportion of its library budget from federal grants, compared with other states. Looking at Table 3, we see that only 2.1% of the library budget of the state was federally funded in 1975. This is far below the national level of 5% and dramatically below such states as Texas which receives 12.5% of its library budget from the federal government and North Dakota which receives 27.1% . Unfortunately for New York's needs, there is no policy to equalize the proportion of support across states. And although the proportion

Table 3
Comparison of Percent Distribution of Expenditures for Public Library and
Public Education by Governmental Source of Financing, by States and Regions, 1975

State	Percent Distribution Public Libraries			Percent Distribution Local Schools		
	Federal	State	Local	Federal	State	Local
United States	5.0	12.9	82.1	7.8	43.6	48.6
New England:	3.5	12.7	83.8	4.9	24.9	70.2
Maine	11.1	20.1	68.8	9.3	35.0	55.7
New Hampshire	N.A.	N.A.	N.A.	2.8	7.2	90.0
Vermont	N.A.	N.A.	N.A.	6.0	33.1	60.9
Massachusetts ¹	1.9	11.1	87.0	5.1	23.9	71.0
Rhode Island	10.1	18.6	71.3	8.8	35.5	55.7
Connecticut	N.A.	N.A.	N.A.	3.0	23.5	73.5
Mideast:	3.2	18.7	78.1	6.0	41.9	52.1
New York	2.1	17.1	80.8	4.7	41.3	54.0
New Jersey	2.9	21.7	75.4	5.6	31.2	63.1
Pennsylvania	6.6	23.2	70.2	7.8	49.9	42.3
Delaware	N.A.	N.A.	N.A.	7.2	68.1	24.6
Maryland ²	5.0	16.6	78.4	6.7	45.1	40.2
Great Lakes:	4.2	10.4	85.4	5.1	41.6	53.3
Michigan ^{3,4}	4.8	10.8	84.4	3.8	51.3	44.9
Ohio	4.1	3.7	92.2	5.9	34.7	59.5
Indiana ⁵	2.6	2.9	94.5	5.7	34.1	60.1
Illinois	4.9	18.5	76.6	5.4	44.6	50.0
Wisconsin	3.7	12.0	84.3	4.3	37.0	58.7
Plains:	7.9	8.8	83.3	6.8	42.9	50.3
Minnesota ⁶	3.7	10.0	86.3	4.7	58.2	37.1
Iowa	8.6	3.8	87.6	5.8	42.9	51.3
Missouri	9.4	7.0	83.6	6.5	35.4	58.1
North Dakota	27.1	8.3	64.6	8.7	42.6	48.7
South Dakota	14.5	12.4	73.1	15.0	13.0	72.0
Nebraska	7.1	18.1	74.8	10.6	22.9	66.5
Kansas	N.A.	N.A.	N.A.	8.3	43.7	48.0
Southeast:	9.0	20.3	70.7	12.6	55.2	32.2
Virginia	3.9	11.3	84.8	10.6	34.0	55.3
West Virginia	N.A.	N.A.	N.A.	13.1	54.6	32.3
Kentucky	10.1	36.3	53.6	12.9	55.3	31.9
Tennessee	9.2	15.3	77.5	10.6	49.7	39.7
North Carolina ^{7,8}	10.6	25.2	64.2	11.8	68.3	19.9
South Carolina	9.7	24.1	66.2	14.2	60.2	25.7
Georgia	7.3	36.9	55.8	12.6	55.3	32.1
Florida	N.A.	N.A.	N.A.	8.4	53.0	38.6
Alabama	16.7	8.9	74.4	14.0	63.1	22.9
Mississippi	13.3	19.2	67.5	23.0	54.6	22.3
Louisiana	7.4	4.2	88.4	17.4	54.2	28.4
Arkansas	18.2	15.5	66.3	16.2	51.0	32.9
Southwest:	12.2	5.3	82.5	10.5	50.1	39.4
Oklahoma	N.A.	N.A.	N.A.	10.1	51.2	38.8
Texas	12.5	3.9	83.6	10.2	48.4	41.4
New Mexico ⁹	10.4	16.0	73.6	17.5	64.5	18.4
Arizona	N.A.	N.A.	N.A.	3.9	49.8	41.3
Rocky Mountain:	12.0	7.1	80.9	7.6	42.9	49.5
Montana	17.3	5.8	76.9	8.4	39.7	52.0
Idaho	17.8	12.5	69.7	11.9	45.3	42.7
Wyoming	12.9	17.6	69.5	9.3	33.3	57.4
Colorado	11.3	.6	88.1	6.4	37.8	55.8
Utah	7.7	14.2	78.1	6.9	58.2	34.9
Far West:	3.0	3.9	93.1	8.6	38.4	53.0
Washington	4.3	11.4	84.3	7.9	46.5	45.6
Oregon	6.2	7.1	86.7	5.8	25.5	68.7
Nevada	9.0	21.8	69.2	6.7	36.0	57.3
California	2.4	2.1	95.5	9.0	38.6	52.4
Alaska	N.A.	N.A.	N.A.	18.3	64.2	17.5
Hawaii	6.7	93.3	0	8.3	88.7	3.0

Source: See footnote, Chart 3, and Appendix B.

of New York's library budget federally funded was low, the actual amount was quite high compared with most other states. Some representative figures are:

Amount of Federal Support for Libraries 1/
1975, Thousands of Current Dollars

New York	\$3,781
New Jersey	1,596
Pennsylvania	3,037
Texas	4,220
North Dakota	864

The real difficulty with attempting to solicit relatively more federal aid for New York's library system is that one of the avowed purposes of support for local libraries has been to bring backward areas up to uniform standards. New York State as a whole can certainly not qualify as an underdeveloped area with respect to level of library facilities. (Certain areas such as Erie County have already received considerable amounts of federal support for libraries). It makes more sense to lobby for a higher level of overall support for libraries in the United States and a better defined and more continuous federal policy toward libraries.

In spite of fiscal stringency at all levels of government budgeting, an argument can be made for increased support of libraries. It is that libraries represent a very small proportion of the budgets of both the states and localities and also a miniscule proportion of federal expenditures. Consequently, a

1/ Computed from Table 4, Evaluation of the Effectiveness of Federal Funding of Public Libraries, Government Studies and Systems, Inc., (Washington, D.C., U.S. G.P.O., 1976) and from Table 3, See Above.

large percentage increase in library appropriations is a very small percentage increase in any one of these budgets. Furthermore, an expenditure which may make a significant difference to the quantity and quality of library services may be no more than the proverbial drop in the bucket if applied to an alternative public good or service. In short, the fact that library budgets are a small proportion of government budgets may give leverage in bargaining for more support.

Two alternatives are available in considering the plight of libraries in a fiscally tight period: (1) reduction of library services or (2) financing libraries through private philanthropy or charging fees. Neither alternative should be dismissed without some discussion.

III. The demand for libraries.

In considering a reduction in library services, we must begin by questioning the amount of consumer demand for this service, not only in New York State, but throughout the country at this time. Librarians and educators usually assume that all communities view libraries as a very high priority item, and yet, looking at appropriations in recent years, we have observed public parks and recreation centers faring better in commanding tax dollars than have libraries. When budgets for public education are examined, the proportion devoted to libraries is very

small, usually less than two percent.

It is often asserted that people are reading less than before. Other media forms compete for attention and students even appear to read less well. Verbal scores on the College Entrance Examination Boards have declined across the country and across all socioeconomic levels in recent years. Perhaps the demand for libraries is falling. A further argument might tie a declining demand to the declining school population.

What information do we have? Use of libraries is traditionally measured by circulation figures in public libraries. To be sure comparative circulation figures for public libraries in New York for the years 1954, 1972, 1975, and 1976 show a decline in circulation from 1975 to 1976, but this has been attributed to a reduction in service hours and the closing of branch libraries. It therefore represents a reduction in available services -- not a diminution of demand.⁶

Comparative circulation statistics

1954	55.5 million
1972	81.8 million
1975	86.6 million
1976	82.4 million

Even if there were evidence of a short-run decline in the use of circulating collections, it would be irrational to cut appropriations for anything other than hours of operation. Book collections are a capital good type expenditure which must be kept

up or replacement costs will be prohibitive, not only because of inflation but also because of the extra expense of securing out-of-print material.

Circulation figures at best do not provide a good estimate of demand for library facilities, if we include demand for research material. Non-circulation reference collections can not be based on use per capita or on any other measure of intensity of use, but are an important resource in a society which values and uses learning. This "demand" is much more likely to be determined by professional planners. There is need for closer coordination between planning for libraries and for other educational facilities, and for planning library facilities within and without formal centers of learning.*

Projections of future demand for all library services, based on the age distribution of the population, suggest that the demand for library facilities will be trending upward. By 1984, 25% of the population will be in the 20-34 age group. This group is expected to be involved in active life-long learning pursuits, many of which are within the so-called "university without walls," the educational and cultural resources of the

* It may well be that the degree of duplication of reference materials should be reduced. Rare book sanctuaries are so expensive that it may make more sense to perfect interlibrary loan networks or even to increase spending on travel and lodging to visit special collections rather than duplicate the collections. The social cost of this option is likely to be less than the cost of maintaining duplicate research facilities. However, there is the policy problem of who should bear the costs of travel but this is beyond the scope of this paper.

community. Study groups such as the Commission on Non-Traditional Study (1973) are proposing that the public library should serve as an alternative to the formalized educational structure in the United States.

This is already true in the case of the College Level Examination Program (CLEP) administered through the College Entrance Examination Board which is specifically set up on the assumption that the public library, not the university, is the learning center.

Such programs will certainly increase the demand for libraries. However, even if we were to assume no increase in this demand, and even if we could project a zero rate of inflation and a zero rate of population growth, the increase in knowledge would still require a larger collection of library material over time in order to maintain a constant quality level. This is true of both circulating and reference collections. It is hard to imagine any model of the world that would not require an increase in library expenditures over time.

IV. User charges.

Let us now consider the possibility of charging for library use as one possible reaction to the impact of fiscal stringency. The free public library, like the free public school, has been regarded in this country as a "public good", one which should be financed by the government and to which citizens should have free

access. Is the present library system necessarily a public good?

Public goods, as opposed to private goods, are defined as those which cannot be sold individually because by their nature people cannot be excluded from using them (for example, fire departments in urban areas, national defense, or community pest control) or because they provide returns which are primarily benefits to the community rather than to individuals. The public school system in this country has been justified on this basis as a necessary prerequisite for an effective democracy. In the case of libraries, there is no difficulty excluding those who are not members. Public libraries are not common in many foreign countries. However, the free public library, like the free public school, has been regarded as a good with benefits to society in this country.

Early libraries were often the results of private philanthropy, and many libraries today still are maintained wholly or in part by private endowments, but over time the various levels of government have come to assume much of the responsibility for developing and maintaining libraries, particularly libraries in remote regions, which often have considerable federal support. The idea that every community should have a library or mobile library unit within traveling distance of its citizens is a fundamental aim of public policy.

In contrast, the elite reference collections are limited in

number and often supported at least partly by private endowment. Some question arises as to whether these can be justified as public goods on grounds of educating the general public. One might indeed argue, as has Major Owens in the Library Journal, that at least the information industry, which uses a public research collection to prepare material which it sells, should be charged fees.⁷

Many other firms besides those specifically defined as the information industry derive profits from use of reference collections such as the New York Public Library. Record companies, law firms, advertising agencies, newspaper and magazine feature writers are but a few examples. To charge such companies for use of the archives would cause some library costs to be converted from "external economies" paid for by society to costs born by the firm. This has logical appeal and also seems to be consistent with public policy in other areas such as charging firms for external diseconomies, i.e., costs imposed upon the community by their production activity. But here the problem of excludability may reappear. It is probably only possible to charge library fees where all users of a collection must pay (otherwise information would be resold). Waivers of fees should be instituted for special categories of scholars engaged in non-profit work.

Private universities have long made use of such a fee system for research privileges. Some fee or use tax seems to be

advisable to maintain quality reference collections in this period of rapidly rising book costs and operating expenses.

I believe that this is true even though an argument can be made against the user tax on the grounds that where there are already high rates of property and sales taxes and a local income tax, imposition of fees for library use, just as toll gates for admission to zoos, museums and the like, discourage people from moving into and remaining within the city. In a period when our migration of businesses and high income (and hence high tax paying) citizens is a problem, there may be resistance to imposing user taxes on libraries. However, if there is no alternative form of financing available, losses due to a decline in quality and quantity of library service must be weighed against losses from imposing fees. Urban areas attract and hold families and businesses because of the availability of elite cultural institutions, including libraries.

Besides, the reactions of firms and households to fees are likely to be quite different: firms are much less likely to object, since they are used to paying for services that benefit them. It may not be easy to discriminate in price between different users of library reference collections in charging entrance fees, but a special user tax on business firms known to depend heavily on public library collections may be a solution if price discrimination is deemed desirable. Or,

businesses may be allowed to make tax free contributions to the library as an alternative.

V. The impact of the New York State Library System on the State's Economy.

New York State has a comparative advantage over the rest of the United States in library facilities. It also has a large comparative advantage in libraries compared to all other states in this region of the country. New York has the largest number of public libraries (783), including the largest number with book budgets over \$25,000. It also has the largest number of college and university libraries and the largest number of both law and medical libraries. These facts are only the beginning. They do not take account of New York's unique advantage in special collections, institutional libraries, and the developing network for information retrieval.

However, surrounding states are improving their libraries, and New Jersey's prospective state income tax is expected to contribute substantially to the improvement of its library system.

It is foolish for New York to endanger the superiority of its library system. It is particularly important to maintain the quality of New York City's research collections since they are used and needed by the many resident service industries who can readily pay for library use.

The library system helps to attract more of the information

related industries. They are highly desirable non-polluting industries, employing highly skilled, well-paid professionals, and they in turn help to attract other technologically sophisticated firms. These firms and their highly productive labor force will be willing to locate in and remain in this state only if the level of excellence of cultural institutions, particularly libraries, is maintained. For the cost of doing business in New York State is high and is likely to remain so. Furthermore, such firms will support the libraries, both directly, and through improving the tax base. An improved tax base lowers the fiscal pressure on the state and permits it to expand its budget for public services.

It seems indisputable that the cost of maintaining excellence in libraries is much less than the cost of not doing so. The New York State library system is a unique, non-replaceable capital stock. If it is allowed to decline, industries and people who depend on it will eventually leave, and the financial and cultural benefits of its presence will be lost.

Notes

1. Evaluation of the Effectiveness of Federal Funding of Public Libraries, A Study Prepared for the National Commission of Libraries and Information Science, December, 1976, by Government Studies and Systems, Inc. (U.S. G.P.O.; Washington, D.C.), Table 3, p. 15.
2. Ibid., p. 21.
3. Statistical Abstract of the United States, 97th edition, (U.S. G.P.O.; Washington, D.C., 1976).
4. Improving State Aid to Public Libraries, Government Studies and Systems, Inc. (National Commission on Libraries and Information Services; Washington, D.C., 1977), pp. 44-47.
5. Ibid., Table 5, p. 49.
6. Unpublished descriptive background paper for 1978 State Library Systems Conference.
7. Major R. Owens, "Libraries and Information Industries: Legislation for Joint Development," Library Journal (September 15, 1977), pp. 1819-1822.

Shirley B. Johnson was educated at Radcliffe College, the University of Edinburgh, and Columbia University. Prior to her present position at Vassar College, she taught at Mt. Holyoke College, City College of New York, Barnard College and New York University. She has been Associate Professor of Economics at Vassar since 1967, and is Senior Research Associate, The Center for Policy Research.